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C O N F I D E N T I A L ANKARA 002661

SIPDIS

SENSITIVE

STATE FOR EB/ESC, EUR/SE, NEA/RA, AND TREASURY
(BFOX/JZARATE/WMURDEN)

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SUBJECT: FREEZING IRAQI ASSETS: INITIAL TURKISH RESPONSE

REF: STATE 101736

1. SUMMARY: (C) On April 24, we delivered reftel demarche to Central Bank Governor Sureyya Serdengecti and Banking Regulation and Supervision Agency (BRSA) Acting Chairman Ibrahim Canakci. Both officials said they would make this a top priority and welcomed any information or assistance. Serdengecti welcomed the USG delegation of experts as well. END SUMMARY.

2. (C) Serdengecti told us he would make investigation of Iraqi assets a top priority. The Central Bank monitors electronic bank transfers and gets other information on bank transfers. He also welcomed a U.S. delegation visit. "Exchanging information is always beneficial. We learn from them, they learn from us. It's a great idea," Serdengecti said. Serdengecti explained that, while the Central Bank can search for records of Iraqi assets, freezing those assets in Turkey would be the responsibility of the Ministry of Finance (visit is planned for April 25 - septel).

3. (C) Serdengecti said he suspected there were still existing Turkish-Iraqi private sector links, recalling requests by Turks to exchange huge amounts of Kuwaiti dinars after the Iraqi invasion of Kuwait in 1990. But Serdengecti also noted the Saddam regime may have been reluctant to deposit money in Turkey, given the claims of Turkish exporters to Iraq, which date back to before the first Gulf War. They amount to \$1.2 billion in non-payments, beginning during the 1980's, when GOI and Iraqi businesses did not pay Turkish exporters during the Iran-Iraq War. Under an agreement between the GOT and the Saddam Hussein regime, the GOI was supposed to reimburse the Treasury, which in turn was reimbursing the exporters. Serdengecti said that all payments from the GOI ended just prior to the first Gulf War (Treasury was the loser, as it reimbursed exporters the full amount.)

4. (C) Earlier April 24, BRSA Acting Chairman Ibrahim Canakci told us the BRSA's sworn bank auditors would be alerted to this request. He also welcomed any information or assistance the U.S. could offer.
PEARSON